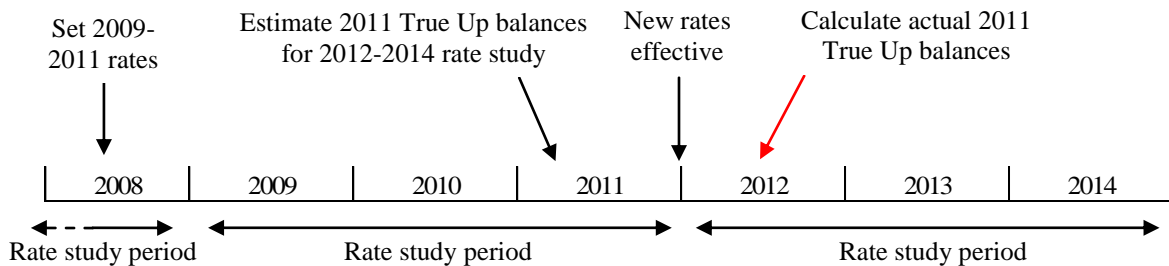


## Summary of 2011 True Up Results Provided at July 5th, 2012 Operating Board

- Wholesale Statements “true up” the wholesale share of actual water system costs and actual wholesale revenue. Any surplus or deficit in revenues is carried forward with interest and lowers or raises rates in the future.
- Seattle Public Utilities prepares the wholesale statements, and Moss Adams applies the specific procedures to test their accuracy.
- Under the 2001 contract, Seattle is considered a wholesale customer.

### Rate Based Cost Pools (Full & Partials)

- 2011 was the last year of the 2009-2011 rate study, and the ending balance is the beginning balance of the next rate study period:



- As compared to the 2012-2014 rate study projections, actual 2011 regional costs are lower and revenues are higher, making up much of the difference that existed when the year began. Overall, the starting point for 2012 is within \$0.8M of projections:

(in \$1,000)	Projected 2011 Balance from 2009-2011 Rate Study	2011 Actuals	Projected 2011 Balance from 2012-2014 Rate Study
Balance on 12/31/2010	0	(7,453)	(5,128)
Revenues	+ 67,914	+ 64,776	+ 63,955
	Actuals \$3.1M lower		Actuals \$0.8M higher
Costs	- 67,914	- 67,515	- 68,264
	Actuals \$0.4M lower		Actuals \$0.7M lower
Balance on 12/31/2011	= 0	= (10,192)	= (9,437)
	Overall, actual balance is close to rate study assumption		

- The subregional cost pool balances are lower than projected to start out the new rate period, in large part because their 2011 starting balances were lower than projected. For the Southwest, results are also affected by higher than projected allocated costs due to the allocators used: in retrospect, the historic allocations turned out to be unusually low for the 585 Zone and West Seattle Reservoir while the allocators have been increasing with time. For the East subregions, results are affected by a mix of lower revenues and somewhat higher costs.

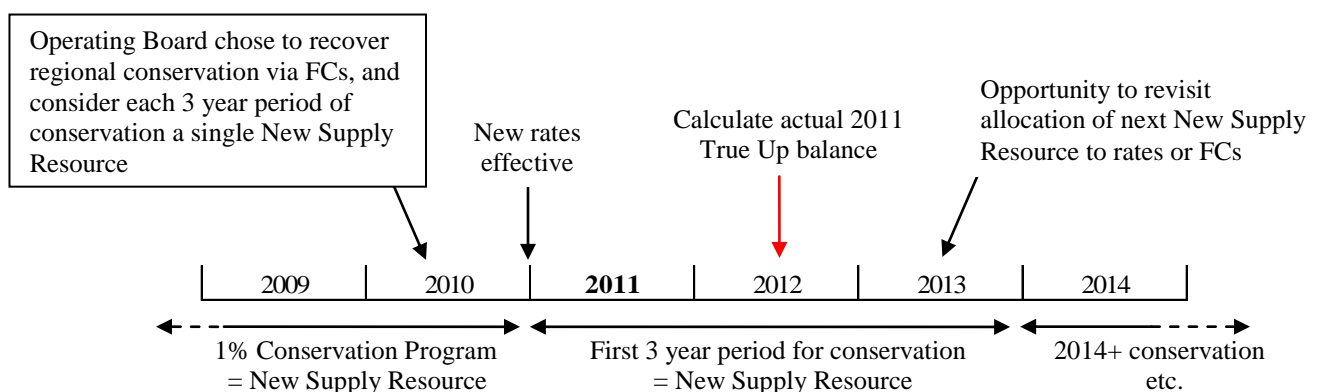
Balances (in \$1,000)	Projected 2011 Balance from 2009-2011 Rate Study	2011 Actual Year End Balance	Projected 2011 Balance from 2012-2014 Rate Study
Southwest Subregion	0	(689)	(256)
East Subregion, Segments 3	0	(78)	(43)
East Subregion, Segments 4	0	(192)	(133)

### **Block Contact Results**

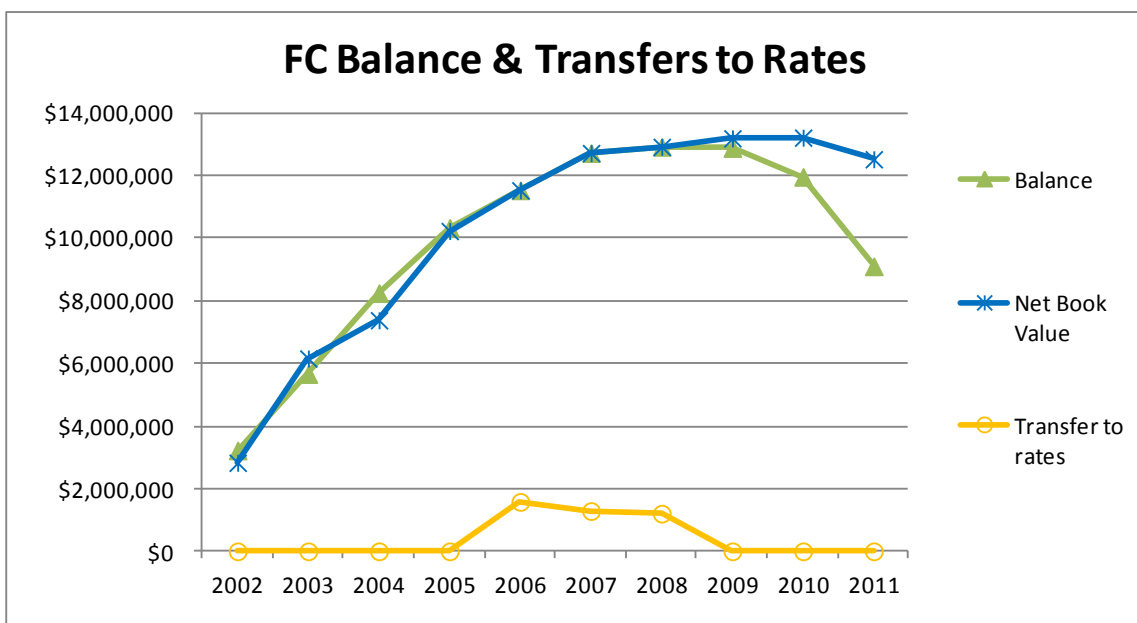
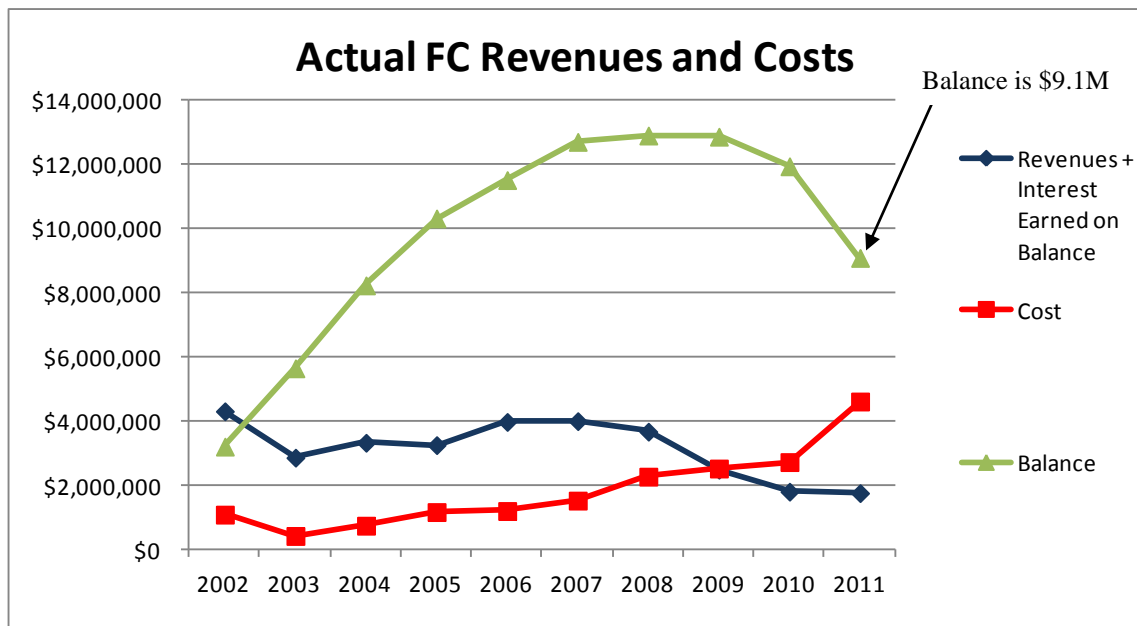
- The Fixed Block contract (Northshore Utility District) does not have a year end balance in the tables above because their surplus/deficit is settled annually. NUD ended 2011 with a surplus of \$80k, which will earn interest and be applied to their 2013 block cost.
- The Declining Block contract (CWA) also does not have a year end balance in the tables above because their surplus/deficit is settled annually. CWA ended 2011 with a \$361k surplus, which will earn interest and be applied to their 2013 block cost.

### **Facilities Charge Cost Pool (Full & Partials)**

- 2011 was the first year of the three year period of regional conservation that the Operating Board defined as a New Supply Resource.



- As per the contract, the balance remains in the cost pool unless the balance exceeds the Net Book Value of the New Supply Resource, in which case a transfer is made to rates, or becomes negative, in which case a loan is made from rates. Neither of these situations occurred in 2011, and they are not expected to occur for 2012 or beyond.
- The FC amount is adjusted when adding or removing a New Supply Resource from the FC cost pool.
- In 2001, Facilities Charge costs were significantly higher than revenues due to the switch to recognizing costs on a cash basis for regional conservation spending in 2011-2013, and the continued low levels of new connections. Connection volumes will increase in 2012 as all Full Requirements customers begin to pay FCs.



**Historic True Up Information**

	Regional Existing Supply O&M Cost	Regional Existing Supply Asset Cost	Regional Existing Transmission O&M Cost	Regional Existing Transmission Asset Cost	Regional New Supply O&M Cost	Regional New Supply Asset Cost	Regional New Transmission O&M Cost	Regional New Transmission Asset Cost
2002	\$ 19,324,226	\$ 25,563,030	\$ 5,024,353	\$ 13,951,503	\$ 1,336,390	\$ 1,832,124	\$ -	\$ -
2003	21,478,110	28,515,193	6,063,001	17,328,129	1,465,960	658,592	-	-
2004	20,882,564	33,172,379	7,256,866	17,731,121	1,157,065	1,087,076	-	-
2005	25,657,232	33,702,364	6,804,217	17,873,927	1,077,273	1,592,723	-	-
2006	26,250,435	33,236,987	9,017,455	18,449,204	1,210,198	1,926,574	-	-
2007	28,699,251	33,318,097	8,539,842	18,027,362	1,148,552	2,254,043	-	-
2008	29,416,339	32,865,219	9,230,892	17,201,493	866,066	2,567,277	2,577	-
2009	30,052,243	33,385,466	5,904,059	18,110,185	705,844	2,850,236	2,059	-
2010	29,656,594	32,915,099	11,215,769	17,719,534	649,588	3,071,429	-	-
2011	27,195,212	34,751,259	10,314,304	17,411,994	839,203	4,933,373	-	-

	Wholesale Demand* (ccf)	Rate Revenues	Facilities Charge ERUs	Facilities Charge Revenues	Rate of Return	Cumulative Rates Balance	Cumulative Facilities Charge Balance
2002	39,210,652	\$ 40,971,767	3,259	\$ 4,322,196	6.3%	\$ 1,786,830	\$ 3,221,088
2003	44,177,845	49,884,686	3,353	2,728,582	6.1%	7,567,031	5,662,351
2004	61,067,898	59,191,218	4,255	3,086,269	6.0%	10,913,843	8,247,306
2005	60,839,713	59,751,298	4,066	2,879,807	6.2%	7,567,031	10,333,845
2006	60,201,693	60,597,142	4,903	3,504,395	6.2%	6,596,622	11,530,622
2007	57,666,133	58,618,177	5,111	3,472,946	6.2%	1,166,184	12,720,750
2008	57,350,678	57,487,415	4,258	3,101,550	6.1%	(5,649,241)	12,919,069
2009	59,557,614	65,582,044	2,682	1,881,607	6.3%	(1,486,951)	12,882,597
2010	53,831,337	59,854,486	1,661	1,210,674	6.2%	(7,118,540)	11,959,801
2011	57,107,516	64,736,040	1,555	1,209,105	6.2%	(10,192,060)	9,103,780

\* Includes Full and Partial Requirements customers, Seattle as a Full Requirements customer, and Cascade and Northshore actual demand